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Ambassador Robert B. Zoellick
United States Trade Representative
600 17th Street, N.W
Washington, DC 20508

Mr. Ambassador,

MANITOWOC CRANES is an industry leader in the manufacture of lattice-boom crawler mounted lift cranes. Our primary competition is based offshore and naturally obtains the steel required to produce their cranes from steel mills outside the U.S. Their cranes have, until recently, offered a superior finish quality as compared to MANITOWOC CRANES. This was brought to our attention at international expositions and by our customers who also buy from other crane manufacturers.

MANITOWOC CRANES overall product quality was being called into question due to the inferior surface quality of domestically produced alloy steel plate resulting in a less than satisfactory appearance after painting. There have been instances where a segment of a crane was rejected by a customer at the time of delivery due to an unacceptable appearance . One example is the time we had shipped a 275 ton capacity machine to a customer in Texas who, upon taking delivery of the machine, looked at the mast assembly on top of the machine and promptly had it removed from the crane and returned to Manitowoc for replacement. The poor surface quality of the 3/8" A-514 material that was employed in the fabrication of this component resulted in an appearance that, in the customers mind, made him think that we had used "old, used steel". A similar situation occurred with a machine that we recently shipped to a customer in Singapore. In this case the weldment called into question was the boom top of the crane. The surface quality of portions of the A-514 plate used in this weldment again, was poor. Because this unit was being used near salt water, the customer was concerned that we had used already corroded material (this was of course, not the case) and would only get worse in the salt air. This case is still pending and Manitowoc may have to ship the customer a replacement section. This is a serious situation in light of the fact that the section in question is 40' long and weighs 4.2 tons. In both cases the product, A514 alloy steel, was purchased from domestic producers. We have had instances where we were unable to use A-514 plate from domestic producers due to our inability to remove the heavy mill scale that can occur with the grades of A-514 they offer. As mentioned earlier the integrity of our entire product was being called into question in our customer's mind. This was, and remains, totally unacceptable. A decision was made to purchase and incorporate superior

quality imported alloy plate into our product. Prior to this all steel plate purchased by Manitowoc had been domestically produced. This decision was not made lightly as we had long relationships with the major U.S. producers of heavy alloy plate but was the result of the U.S. mills unwillingness to recognize market conditions for what they were i.e. surface quality and specialty products. When this issue was brought to the attention of domestic steel producers, the response was minimal at best. The U.S. mills have relied on the fact that their product was structurally sound (it is) and maintained a position that MANITOWOC CRANES had arbitrarily "raised the bar" regarding surface quality. This is patently untrue.

All manufacturers of construction, mining, and ag equipment are striving to achieve an "automotive type" finish on their products. The domestic mill's solution was to offer a "special rolled" product at a higher price, with limited availability. This was not acceptable. The decision to procure alloy plate from offshore mills was reaffirmed after visiting several mills in Europe and seeing first hand the superior surface quality of their commonly produced alloy products. European mills have been coming up with new "recipes" to broaden their range of product offerings. One example of this is the Grade S offered by SSAB and other offshore mills that offers a superior surface quality as compared to the grades offered by the domestic mills. Another product we purchase from a European producer, Voest-Alpine's Alform 700, is a thermo-mechanically rolled alloy plate that does not require the quenching and tempering operations that A514 requires to get the 100,000 psi minimum yield strength. This results in a product with a surface quality that is far superior to that available domestically. Voest-Alpine offers a much wider thickness range as compared to the domestic offerings and is available as discrete plate up to 120" in width which is something we require. As a matter of fact, after having recently returned from Voest-Alpine's mill, I visited a domestic mill and mentioned this product to the technical director of that mill and the response was "it can't be done". Interesting.

Manitowoc also employs a special, ultra high strength steel in some of our products in order to achieve the design structural strength. Specifically, this is a 160,000 psi minimum yield strength material ordered in 51' lengths, that is purchased from SSAB in Sweden and is not currently offered by any of the North American mills. MANITOWOC CRANES also purchases a large amount of 130,000 psi minimum yield strength steel from SSAB because of the differences in chemistry between their Grade S, which has minimal surface scale, and those grades offered by the domestic producers. In addition, the SSAB quenching and tempering line, which plays a large role in the end product surface quality, is far superior to anything in use in the U.S. MANITOWOC CRANES position in the marketplace is a result of designing technologically advanced products employing the latest technologies developed both internally and by our suppliers. All of this is a result of being responsive to market demands. MANITOWOC CRANES is the leading surviving U.S. based lattice-boom crawler crane manufacturer. We are already at a distinct disadvantage to our foreign competition due to currency exchange rates. Taking away our ability to procure the products we require or making them available only at a prohibitive cost would impact us severely in our ability to continue to compete both internationally and domestically. Offshore producers of alloy plate offer a wide range of

products that in many cases are in addition to what the domestic mills produce and this allows us to have access to materials that we require to satisfy our customers requirements.

MANITOWOC CRANES can ill afford to have its ability to compete in the marketplace restricted further at the request of a powerful lobbying group representing a single industry. Limiting our choices as to where and what we can procure will impact us severely with the loss of manufacturing jobs as the outcome. There is no doubt that the steel industry is in serious trouble and that we need a domestic steel industry. The question is how much of that trouble has been self-inflicted by just plain poor management. Just like the crane industry the steel industry is part of a global marketplace. Protecting the steel industry from this global market is not the answer. They must be more responsive to the marketplace or let the market weed out the inferior players. The U.S. Government has other tools available that would allow them to help the industry without negatively impacting the rest of the manufacturing sector.

The bottom line is if MANITOWOC CRANES is forced to pay a government imposed, artificially high price for the steel product it requires, it will be subjected to a deepening competitive disadvantage. This could jeopardize our ability to remain in business and would negatively impact U.S. jobs. The combination of disadvantageous exchange rates, and higher material costs imposed due to misguided government intervention could be fatal blows. Protecting one industry at the expense of another is not the answer.

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